E-mpa™
E-Rate Management Professionals Association, Inc

The Growing Demand for Priority One Services Impacts the Universal Service Program for Schools and Libraries

Submitted to the

Federal Communications Commission

November 22, 2011

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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The E-Rate Management Professionals Association, Inc. (E-mpa™) is a (501)(c)(6) trade association whose purpose is to promote excellence and ethics in E-rate professional management and consulting through certification, education and professional resources. E-mpa™ serves as an advocate for the critical role served by E-rate management professionals and consultants. The organization strives to strengthen and support the E-rate program by acting as a self-governing body of E-rate management professionals and consultants. E-mpa™ provides assurance to stakeholders by maintaining the highest standards, developing and promoting best practices, and requiring ethical conduct for all members. E-mpa's members are involved with roughly 10% of all E-Rate applicants, and 20% of funding requested.

The Growing Demand for Priority One Services Impacts the Universal Service Program for Schools and Libraries

We are pleased to have this opportunity to provide additional information to the Federal Communications Commission regarding the ramifications of the current trajectory of the growth of Priority 1 funds. We believe, collectively, that without action on the part of the FCC that changes the fundamental way in which funds are distributed, or without additional E-rate funding, that 90% Priority 2 requests will cease to be fully funded next year without rollover funds. E-mpa™ also submits, following the examination of the financial state of the fund, suggestions as to some methods that the FCC may consider implementing to alter the course detailed below.

Please note that there are differing views, within E-mpa™, regarding whether the FCC should act to change the fund to address the inevitable shortfall. Left alone, the rules of priority for fund distribution are clear: Priority 1 funds get committed first, and Priority 2 funds get the balance. As the data demonstrates, E-mpa™ projects that there will not be sufficient funds left over to fund 90% Priority 2 requests next year without the addition of significant rollover funds. Since E-mpa™'s members represent a wide range of applicants, our individual opinions reflect both those who believe that the program should be a Priority 1 program only, and those who believe that Priority 2 funds are necessary, and changes should be made to preserve some Priority 2 funds. E-mpa™ takes the position that the FCC needs to act on this matter but assumes the FCC will reach out to all stakeholders to come up with the best solution that meets the intent and integrity of the E-rate program. E-mpa™ members will write separate comments or reply comments on their individual letterheads regarding this matter. The suggestions E-mpa™ makes are illustrative only, designed to supply options should the FCC decide it wishes to make changes, but E-mpa™ remains neutral in this matter.

Limitations of Projections

Deriving projections of future demand is, at best, an educated guess. E-mpa™ has analyzed multiple years of data, and tracked historical trends, but ultimately, other factors will come into play for which we cannot account, including:

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p 580.332.1444 f 580.332.2532
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The Evolution of Technology

As cloud- or web- based services mature and evolve, E-mpa™ predicts that more services which were formerly Priority 2 will become available as Priority 1 services, such as cloud-based routing, and hosted Voice over IP (VoIP). E-mpa™ predicts that hosted VoIP is poised to experience tremendous growth within the E-Rate program, and will accelerate the growth curves detailed in the attached charts.

The Psychology of Purchasing

As Priority 2 funds become less predictable, applicants will be forced to weigh their odds of securing Priority 2 funds, versus the certainty of securing Priority 1 funds for certain services, such as email or voice services, which can be purchased either as Priority 1 or Priority 2 services, depending on the configuration. E-mpa™ predicts that more and more applicants will decide that the reliability of Priority 1 funding is of paramount concern, and that, in essence, the E-Rate program has hit a tipping point where the diminishing odds of getting Priority 2 funding will only hasten the demise of Priority 2 funding altogether.

Rules Changes to the E-Rate Program

The FCC has wrestled with the question of eligible maintenance for many years, and has promulgated numerous and significant rules changes in order to achieve their vision of maintenance within the program. While the net financial effect on the fund is difficult to estimate, it is undeniable that the reporting requirements and audit liability have increased significantly. Since reporting overhead, repair predictability, and applicant risk must be taken into account when making technology decisions, E-mpa™ asserts that the "bundled" approach of Priority 1 maintenance is appealing enough to applicants to be a significant factor. In addition, other changes to the rules will likely have some effect on the overall program demand, including:

- The expanded rules for Web Hosting
- The addition of Dark Fiber as an eligible service
- The removal of the technology plan requirement for Priority 1 services has persuaded some smaller districts, according to E-mpa™ members, to file for FY 2012 where they had not filed in the past.
- The potential inclusion of "Learning on the Go" remote access requests, if the pilot is successful, and those types of services made eligible?
- The FCC's new Broadband initiative to install at least 4Mbps connections to all rural communities including schools and libraries.

Last, There is no reasonable scenario where any of the "other factors " mentioned above would slow the growth of Priority 1 funding commitments; they are accelerators only, if they have any effect at all.

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p 580.332.1444 f 580.332.2532
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Methodology

There are several charts located at the back of this submission, illustrating the methodology we have used to arrive at above conclusion, factoring in the projected growth of the overall fund, the projected growth of Priority 1 requests, the average rate of funding for Priority 1 requests, and the average rate of funding for 90% Priority 2 requests. We have detailed the methodology for each below.

Chart 1 illustrates the projected growth in Priority 1 requests until FY 2023. A review of the historical data shows little variation in the raw dollar amount of increase from FY 2006 to FY 2010, ranging from $99,407,003.00 to $155, 915,347, with an average increase over that five year period of $113,433,151.40. Therefore, consistent with this trend, E-mpa™ used the average year over year increase figure of $113,433,151.40 to project the increase of Priority 1 requests.

Chart 2 illustrates the historical funding percentage for all Priority 1 requests, that is, the percentage of (Amount Funded) / (Amount Requested), or, alternately the average percentage of rejected requests by dollar volume. For the evaluation period, which is FY 2006 to FY 2010, Priority 1 requests were funded at an average rate of 82.24%. We used the projected growth figures, multiplied by the projected funding rate percentage, to derive projected Priority 1 Demand figures.

Chart 3 illustrates our estimate of the projected growth of the overall fund. In the 6th Report and Order, the FCC implemented a small increase to the overall fund, indexed to the yearly GDP increase, which was 0.9%, or $20,250,000.00, from $2,250,000.00 to $2,270,250,000.00. While it is difficult to project the future state of the economy, estimating an average GDP increase, and commensurate fund increase, of 0.9% seems a reasonable figure. We have therefore projected a 0.9% yearly increase in the fund.

Chart 4 illustrates the historical funding percentage for 90% Priority 2 requests, that is, the percentage of (Amount Funded) / (Amount Requested), or, alternately the average percentage of rejected requests by dollar volume. For the evaluation period, which is FY 2006 to FY 2010, 90% Priority 2 requests were funded at an average rate of 61.78%. Note that it was necessary to factor out denials for threshold reasons, which is why we used only 90% Priority 2.

Chart 5 details the Discount Band Breakdown from 80% Priority 2 to 90% Priority 2 for FY 2011, in order to project the funding threshold for future funding years.

Charts 6 & 7 are the summary charts. In short, they calculate the amount of Priority 2 funding available by subtracting the figures on Chart 2: Priority 1 Funding Commitments from the figures on Chart 3: Projected Fund Growth, and comparing the remainder to the grid representing Priority 2 demand from 80% to 90%. Chart 6 is our optimistic view, where $600,000,000.00 in yearly rollover funds is available, while Chart 7 is our pessimistic view, which assumes that zero rollover funds become available. The color coding in Charts 6 & 7 indicate funding threshold: green indicates

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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a likelihood of funding that discount band, yellow indicates the threshold will in the middle of the discount band, requiring proration, and red means requests at this discount band will be unfunded due to threshold reasons.

Last, Charts 6 & 7 use yellow to indicate a partially funded discount band. Although the 5th Report and Order gives USAC clear directions concerning the adjudication of partially-funded discount bands, in reality no discount band has been partially funded, prorated, and funding disbursed. If USAC is not intending on partially-funding and prorating Priority 2 discount bands, then all cells highlighted in yellow become unfunded.

Summary

Based on the data displayed in Charts 6 & 7, we state with some confidence the following:

- For FY 2012 and after, without rollover funds, Priority 2 funding will never reach below 90% again;
- For FY 2012 and after, without rollover funds, 90% Priority 2 requests will be prorated below 50% if proration is allowed, or denied altogether if it is not;
- Without rollover funds, there will be no Priority 2 funds remaining after FY 2016;
- Without rollover funds, there will no longer be enough funding to cover all Priority 1 requests after FY 2016;
- With at least $600 million in rollover funds, the fund will continue to fund requests below 90% until 2015.
- With at least $600 million in rollover funds, the fund will continue to fully fund requests at 90% until 2015.
- With at least $600 million in rollover funds, the fund will continue to partially fund requests at 90% until 2022.
- In 2023, even with $600 million in rollover funds, there will be no funds available for Priority 2 requests.

What Can Be Done

We reiterate that there are differing opinions within E-mpa™ as to whether the FCC should act to change the structure of the fund to preserve Priority 2 funding. The ramifications of not acting are evident, and the FCC must ensure that the current trajectory of the fund matches its priorities. Therefore, E-mpa™ takes no position for or against action, but rather respectfully submits the following suggestions for consideration if the FCC decides that the loss of Priority 2 funds is not a desirable outcome.

Second, E-mpa™ understands that, from an economic standpoint, because all applicants are competing for constrained resources, any changes to the funding structure will deny some

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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applicants' funding, while granting funding to others. Therefore, the question becomes, to which applicants should funding be targeted? The fund structure changes E-mpa™ suggests make no statement as to the "merit" of the applicants in question.

Third, it seems appropriate, if the FCC intends to let the E-rate program to evolve and mature as it should, possibly the FCC needs to look at how to bring in additional monies into the E-rate program that still fit within their current mandate and rules. Additional monies over the current annual cap (+COLA) could solve, or at least mitigate, some of this issue. Some possible suggestions would be to require all E-rate Service Providers to pay into the program even if they are not Eligible Telecommunications carriers or to require companies such as Skype to pay into the program even though they are not a currently participating in the E-rate program as a Service Provider.

Option #1: Cap Priority 1 Funds

The FCC has stated that its goal was to encourage schools and libraries to be able to complete their internal school-wide networks using E-rate funds. E-mpa™ submits there are three, fundamental methods for implementing a cap on Priority 1 funds:

- Priority 1 funds could be capped at a percentage of the total fund;
- Priority 1 funds could be capped at a fixed dollar amount;
- Priority 2 funds could receive a "set aside" of a fixed dollar amount;

The first method, capping a Priority 1 at a percentage of the overall fund, rather than a set figure, allows for a simpler division in the case of a fund rollover from prior years; an influx of funds from past years would benefit both sides of the funding equation.

Capping Priority 1 funds at a set amount differs from setting aside funds for Priority 2 in the way that rollover funds and/or overall fund increases are handled. If Priority 1 is capped at a fixed dollar amount, then the Priority 2 bucket would receive the benefit of any rollover funds, and potential future overall fund increases.

Deriving a fixed-dollar set-aside for Priority 2 funds would mean that rollover and overall fund increases are dedicated to increasing the Priority 1 portion.

Capping the funding devoted to Priority 1 application yields the following outcomes:

<u>Guarantees Funding for Some Priority 2 Applications</u>

As the previous section and attached charts illustrate, Priority 2 funding requests have remained relatively constant through the life of the program. This consistency would allow the FCC to determine, roughly, to what level it wishes the Funding Threshold to reach, and set the Priority 2 funding accordingly.

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Introduces Unpredictability into Priority One Funding

Currently, all applicants can be assured of Priority Once Funding. If Priority One funding is capped, then applicants face the possibility that they will go through the cost and inconvenience of applying for the E-Rate, only to be denied funding due to lack of money in the fund.

Allows the SLD to Begin Funding Priority 2 Applications Much Earlier in the Process

Without the need to wait for the Demand Estimate to determine the sum total of Priority 1 requests, knowing that there will always be money for at least some Priority 2 requests, the application processing mechanism can begin issuing Funding Commitments for Priority 2 much earlier. In essence, with a portion of the fund dedicated to Priority 2 application, it removes the notion of Priority 2 funds altogether, allowing the processing of the applications to occur in parallel, rather than sequentially. It would also create two separate funding thresholds, one for Priority 1 funds, and one for Priority 2 funds.

Changes Which Applicants Gets Denied Funding

If Priority 1 funds are capped, by any method, then the lowest discount schools in the most affluent communities will no longer receive Priority 1 funding, but highest discount, Priority 2 applicants will. In essence, this method will disproportionately hurt the nation's wealthier schools, for the benefit of the nation's poorest schools. As the growth of Priority 1 requests continues, the funding threshold for Priority 1 funds would continue to rise, and applicants in the 40% range, then the 50% range, would eventually be denied funding for threshold reasons. This will reduce the number of applicants receiving funding, rather than decrease the amount of funding received by low-income schools.

Option #2: Lowering the Discount Rate

A restructuring of the discount matrix across both priorities of E-Rate funding might allow more funds to be directed to Priority 2 applications, but considering the rate at which Priority 1 requests are growing, the net result of this would be merely a delay, not a solution.

Lowering the discount rate yields the following outcomes:

Affects All Applicants

A restructuring of the discount rate would, presumably, affect all applicants; that is, all discount bands would be adjusted. It is difficult to predict the effect of such adjustment, but if we assume, for the sake of illustration, that (for example) every discount band is lowered by 10%, i.e. the 90% discount band becomes 80%, and then all applicants, regardless of the wealth of the district, would be affected relatively equally. Please note that within the framework of this option, many sub-options exist. Specifically, it is not necessary to adjust all discount levels, nor is it necessary to adjust levels equally. Many variations on the theme are possible.

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Does Not Guarantee Priority Two Funding

While lowering the discount rate would decrease demand, it does not assure sufficient funding to cover Priority Two requests.

Option #3: Reducing the Number of Eligible Priority 1 Services

An overhaul of the Eligible Services List (ESL) would likely slow the growth of Priority 1 service requests to the degree proportionate to the magnitude of the service reductions. Suggestions include:

- Reducing or eliminating the eligibility of web hosting packages
- Reducing or eliminating the eligibility of basic voice service
- Constraining the eligibility of on-premises or demarcation equipment

Reducing the number of eligible Priority 1 services yields the following outcomes:

Affects All Applicants

A restructuring of the discount rate would, presumably, affect all applicants; that is, all discount bands would be adjusted. It is difficult to predict the effect of such adjustment, but if we assume, for the sake of illustration, that (for example) every discount band is lowered by 10%, i.e. the 90% discount band becomes 80%, and then all applicants, regardless of the wealth of the district, would be affected relatively equally.

It is noted that denying all funding for Basic Phone service will disproportionally affect small, rural school's since they don't have access to affordable advanced services such as Managed VoIP, or for that matter, high speed data services.

Does Not Guarantee Priority Two Funding

While imposing limits on what Priority One Services are eligible for funding will certainly decrease Priority One demand and increase the availability of Priority Two funding, it does not guarantee that funding will remain to fund Priority Two requests.

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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CONCLUSION

E-mpa™ believes, should the FCC decide that Priority 2 funds are a necessary and vital part of the E-Rate Program, that the only solution that guarantees Priority 2 funding for the life of the program is the implementation of a cap on Priority 1 funds, whether by setting aside a fixed amount of Priority 2 funding, or implementing a fixed cap on Priority 1 funding. Multiple parties have posited solutions that involve changing the structure of only the Priority 2 funds, i.e. changing the Priority 2 discount levels, reducing the eligibility of overall Priority 2 eligibility, and other Priority 2 – only solutions. E-mpa™ respectfully submits that, absent a fundamental change to the structure of how Priority 1 funds are allocated, there will be no Priority 2 funds to distribute by 2022, regardless of any changes to Priority 2.

Finally, E-mpa™ urges the FCC to begin a broad proceeding addressing this topic, in order to give all constituents the opportunity to be heard. E-mpa™ predicts responses will be varied, with each constituency passionately and eloquently advocating for their own interests. E-mpa™ further predicts that most of the issues raised will have merit, and the arguments, pro or con, will be persuasive. Fundamentally, any change to the basic structure of the program will help some, while hurting others. The harsh reality is that the E-Rate program is significantly underfunded, and absent a substantial infusion of additional funds, it will be increasingly difficult for the program to fulfill its intended mission.

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 1: Priority 1 Funding Requests

Priority 1 Funding Requests, Historical

FY	Requested	Growth $$, Year over Year
1999	$931,955,032.00	
2000	$1,117,569,981.00	$185,614,949.00
2001	$1,419,438,391.00	$301,868,410.00
2002	$1,720,043,361.00	$300,604,970.00
2003	$1,747,080,984.00	$27,037,623.00
2004	$1,573,617,263.00	-$173,463,721.00
2005	$1,526,995,376.00	-$46,621,887.00
2006	$1,682,910,723.00	$155,915,347.00
2007	$1,792,627,488.00	$109,716,765.00
2008	$1,906,903,671.00	$114,276,183.00
2009	$2,050,429,893.00	$143,526,222.00
2010	$2,149,836,896.00	$99,407,003.00
2011	$2,250,076,480.00	$100,239,584.00

Priority 1 Funding Requests, Future Projections

FY	Projected Requests	Growth Rate, Year over Year
2011	$2,250,076,480.00	
2012	$2,363,509,631.40	$113,433,151.40
2013	$2,476,942,782.80	$113,433,151.40
2014	$2,590,375,934.20	$113,433,151.40
2015	$2,703,809,085.60	$113,433,151.40
2016	$2,817,242,237.00	$113,433,151.40
2017	$2,930,675,388.40	$113,433,151.40
2018	$3,044,108,539.80	$113,433,151.40
2019	$3,157,541,691.20	$113,433,151.40
2020	$3,270,974,842.60	$113,433,151.40
2021	$3,384,407,994.00	$113,433,151.40
2022	$3,497,841,145.40	$113,433,151.40
2023	$3,611,274,296.80	$113,433,151.40

Average Raw Fiscal Growth of the Fund, FY 2006 - FY 2010 Average: $113,433,151.40

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 2: Priority 1 Funding Commitments

Priority 1 Funding Commitments, Historical

FY	Requested	Committed	Percentage of Requests Committed
1999			
2000	$1,117,569,981.00	$936,460,407.00	83.79%
2001	$1,419,438,391.00	$1,000,072,525.00	70.46%
2002	$1,720,043,361.00	$1,108,618,434.00	64.45%
2003	$1,747,080,984.00	$1,180,533,836.00	67.57%
2004	$1,573,617,263.00	$1,190,632,609.00	75.66%
2005	$1,526,995,376.00	$1,233,273,605.00	80.76%
2006	$1,682,910,723.00	$1,342,652,608.00	79.78%
2007	$1,792,627,488.00	$1,477,319,834.00	82.41%
2008	$1,906,903,671.00	$1,615,074,455.00	84.70%
2009	$2,050,429,893.00	$1,679,152,911.00	81.89%
2010	$2,149,836,896.00	$1,767,010,529.00	82.19%
2011	$2,250,076,480.00		

Sum of FY 2006 - FY 2010 Requested	Sum of FY 2006 - FY 2010 Funded	5 Year Average - Sum Requested/Sum Funded
$9,582,708,671.00	**$7,881,210,337.00**	**82.24%**

Priority 1 Funding Requests, Future Projections

FY	Projected Requests	Projected Commitments	5 Year Average % Funded
2011	$2,250,076,480.00	$1,850,462,897.15	82.24%
2012	$2,363,509,631.40	$1,943,750,320.86	82.24%
2013	$2,476,942,782.80	$2,037,037,744.57	82.24%
2014	$2,590,375,934.20	$2,130,325,168.29	82.24%
2015	$2,703,809,085.60	$2,223,612,592.00	82.24%
2016	$2,817,242,237.00	$2,316,900,015.71	82.24%
2017	$2,930,675,388.40	$2,410,187,439.42	82.24%
2018	$3,044,108,539.80	$2,503,474,863.13	82.24%
2019	$3,157,541,691.20	$2,596,762,286.84	82.24%
2020	$3,270,974,842.60	$2,690,049,710.55	82.24%
2021	$3,384,407,994.00	$2,783,337,134.27	82.24%
2022	$3,497,841,145.40	$2,876,624,557.98	82.24%
2023	$3,611,274,296.80	$2,969,911,981.69	82.24%

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 3: Projected Fund Growth

Overall Fund Amount

FY	Requested	Growth Rate, Year over Year
1999	$2,250,000,000.00	
2000	$2,250,000,000.00	0.00%
2001	$2,250,000,000.00	0.00%
2002	$2,250,000,000.00	0.00%
2003	$2,250,000,000.00	0.00%
2004	$2,250,000,000.00	0.00%
2005	$2,250,000,000.00	0.00%
2006	$2,250,000,000.00	0.00%
2007	$2,250,000,000.00	0.00%
2008	$2,250,000,000.00	0.00%
2009	$2,250,000,000.00	0.00%
2010	$2,250,000,000.00	0.00%
2011	$2,270,250,000.00	**0.90%**

Overall Fund Amount with GDP Adjustments

FY	Projected Requests	Growth Rate, Year over Year
2011	$2,270,250,000.00	
2012	$2,290,682,250.00	0.90%
2013	$2,311,298,390.25	0.90%
2014	$2,332,100,075.76	0.90%
2015	$2,353,088,976.44	0.90%
2016	$2,374,266,777.23	0.90%
2017	$2,395,635,178.23	0.90%
2018	$2,417,195,894.83	0.90%
2019	$2,438,950,657.88	0.90%
2020	$2,460,901,213.81	0.90%
2021	$2,483,049,324.73	0.90%
2022	$2,505,396,768.65	0.90%
2023	$2,527,945,339.57	0.90%

This projected growth assumes an average GDP increase equal to the growth between FY 2010 and FY 2011.

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 4 - Average Funding Percentage

90% Priority 2 - FY 2006 to FY2010

FY	Requested	Funded	Yearly Percentage
1999	$522,553,568.00	$435,688,270.00	83.38%
2000	$692,905,344.00	$571,654,345.00	82.50%
2001	$1,361,639,806.00	$923,149,277.00	67.80%
2002	$2,313,765,882.00	$881,188,819.00	38.08%
2003	$1,994,259,105.00	$1,037,023,756.00	52.00%
2004	$1,240,716,267.00	$574,410,481.00	46.30%
2005	$747,161,616.00	$372,105,882.00	49.80%
2006	$712,548,152.00	$424,058,644.00	59.51%
2007	$790,944,697.00	$491,132,404.00	62.09%
2008	$1,003,338,060.00	$672,070,468.00	66.98%
2009	$821,295,384.00	$583,368,427.00	71.03%
2010	$1,067,937,971.00	$545,150,892.00	51.05%
2011*	*2011 omitted because no Priority 2 funding has been committed.		
	$4,396,064,264.00	$2,715,780,835.00	61.78%

Methodology = (Sum of Requested 90% P2, 2006 to 2010) / (Sum of Funded 90% P2, 2006 to 2010)

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 5: Priority 2 Discount Band Breakdown

80% - 90% - FY 2011

Discount Percentage	Internal Connection	Basic Maintenance	Total Priority 2 Requested*	Average Funding Percentage	Average Funding Committed
80	$421,849,214.86	$25,449,339.47	$447,298,554.33	61.78%	$276,341,046.87
81	$23,256,968.36	$4,634,004.29	$27,890,972.65	61.78%	$17,231,042.90
82	$40,471,608.56	$2,396,648.68	$42,868,257.24	61.78%	$26,484,009.32
83	$24,772,983.40	$3,558,157.34	$28,331,140.74	61.78%	$17,502,978.75
84	$53,859,332.30	$6,018,847.33	$59,878,179.63	61.78%	$36,992,739.38
85	$40,443,905.52	$5,651,079.49	$46,094,985.01	61.78%	$28,477,481.74
86	$106,669,021.74	$6,809,303.69	$113,478,325.43	61.78%	$70,106,909.45
87	$149,717,376.60	$18,692,275.73	$168,409,652.33	61.78%	$104,043,483.21
88	$122,372,015.57	$15,094,491.32	$137,466,506.89	61.78%	$84,926,807.96
89	$91,819,344.62	$11,980,027.92	$103,799,372.54	61.78%	$64,127,252.36
90	$957,735,881.14	$184,446,705.47	$1,142,182,586.61	61.78%	$705,640,402.01

As of 7/14/2011

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 6 - Best Case Impact

FY	Requested	Funded	% P1 Funded	Projected Growth Rate of Fund	Remainder Available for Priority 2	Rollover Funds	Sum of Priority 2 Remainder Plus Rollover Funds
2011	$2,250,076,480.00	$1,850,462,897.15	82.24%	$2,270,250,000.00	$419,787,102.85	$600,000,000.00	$1,019,787,102.85
2012	$2,363,509,631.40	$1,943,750,320.86	82.24%	$2,290,682,250.00	$346,931,929.14	$600,000,000.00	$946,931,929.14
2013	$2,476,942,782.80	$2,037,037,744.57	82.24%	$2,311,298,390.25	$274,260,645.68	$600,000,000.00	$874,260,645.68
2014	$2,590,375,934.20	$2,130,325,168.29	82.24%	$2,332,100,075.76	$201,774,907.48	$600,000,000.00	$801,774,907.48
2015	$2,703,809,085.60	$2,223,612,592.00	82.24%	$2,353,088,976.44	$129,476,384.45	$600,000,000.00	$729,476,384.45
2016	$2,817,242,237.00	$2,316,900,015.71	82.24%	$2,374,266,777.23	$57,366,761.52	$600,000,000.00	$657,366,761.52
2017	$2,930,675,388.40	$2,410,187,439.42	82.24%	$2,395,635,178.23	*-$14,552,261.19*	$600,000,000.00	$585,447,738.81
2018	$3,044,108,539.80	$2,503,474,863.13	82.24%	$2,417,195,894.83	*-$86,278,968.30*	$600,000,000.00	$513,721,031.70
2019	$3,157,541,691.20	$2,596,762,286.84	82.24%	$2,438,950,657.88	*-$157,811,628.96*	$600,000,000.00	$442,188,371.04
2020	$3,270,974,842.60	$2,690,049,710.55	82.24%	$2,460,901,213.81	*-$229,148,496.75*	$600,000,000.00	$370,851,503.25
2021	$3,384,407,994.00	$2,783,337,134.27	82.24%	$2,483,049,324.73	*-$300,287,809.54*	$600,000,000.00	$299,712,190.46
2022	$3,497,841,145.40	$2,876,624,557.98	82.24%	$2,505,396,768.65	*-$371,227,789.32*	$600,000,000.00	$228,772,210.68
2023	$3,611,274,296.80	$2,969,911,981.69	82.24%	$2,527,945,339.57	*-$441,966,642.12*	$600,000,000.00	$158,033,357.88
2024	$3,724,707,448.20	$3,063,199,405.40	82.24%	$2,550,696,847.63	*-$512,502,557.77*	$600,000,000.00	$87,497,442.23
2025	$3,838,140,599.60	$3,156,486,829.11	82.24%	$2,573,653,119.26	*-$582,833,709.86*	$600,000,000.00	$17,166,290.14
2026	$3,951,573,751.00	$3,249,774,252.82	82.24%	$2,596,815,997.33	*-$652,958,255.49*	$600,000,000.00	-$52,958,255.49

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 6 - Best Case Impact

Sum of Priority 2 Remainder Plus Rollover Funds	90% Proration Percentage	Projected 90% P2 Funding Commitments	Projected 89% P2 Funding Commitments	Projected 88% P2 Funding Commitments	Projected 87% P2 Funding Commitments	Projected 86% P2 Funding Commitments	Projected 85% P2 Funding Commitments
$1,019,787,102.85		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$946,931,929.14		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$874,260,645.68		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$801,774,907.48		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$729,476,384.45		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$657,366,761.52	93.16%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$585,447,738.81	82.97%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$513,721,031.70	72.80%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$442,188,371.04	62.66%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$370,851,503.25	52.56%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$299,712,190.46	42.47%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$228,772,210.68	32.42%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$158,033,357.88	22.40%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$87,497,442.23	12.40%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$17,166,290.14	2.43%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$52,958,255.49		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
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Chart 7: Worst Case Impact

FY	Requested	Funded	% P1 Funded	Projected Growth Rate of Fund	Remainder Available for Priority 2	Rollover Funds	Sum of Priority 2 Remainder Plus Rollover Funds
2011	$2,250,076,480.00	$1,850,462,897.15	82.24%	$2,270,250,000.00	$419,787,102.85	$600,000,000.00	$1,019,787,102.85
2012	$2,363,509,631.40	$1,943,750,320.86	82.24%	$2,290,682,250.00	$346,931,929.14	$0.00	$346,931,929.14
2013	$2,476,942,782.80	$2,037,037,744.57	82.24%	$2,311,298,390.25	$274,260,645.68	$0.00	$274,260,645.68
2014	$2,590,375,934.20	$2,130,325,168.29	82.24%	$2,332,100,075.76	$201,774,907.48	$0.00	$201,774,907.48
2015	$2,703,809,085.60	$2,223,612,592.00	82.24%	$2,353,088,976.44	$129,476,384.45	$0.00	$129,476,384.45
2016	$2,817,242,237.00	$2,316,900,015.71	82.24%	$2,374,266,777.23	$57,366,761.52	$0.00	$57,366,761.52
2017	$2,930,675,388.40	$2,410,187,439.42	82.24%	$2,395,635,178.23	*-$14,552,261.19*	$0.00	-$14,552,261.19
2018	$3,044,108,539.80	$2,503,474,863.13	82.24%	$2,417,195,894.83	*-$86,278,968.30*	$0.00	-$86,278,968.30
2019	$3,157,541,691.20	$2,596,762,286.84	82.24%	$2,438,950,657.88	*-$157,811,628.96*	$0.00	-$157,811,628.96
2020	$3,270,974,842.60	$2,690,049,710.55	82.24%	$2,460,901,213.81	*-$229,148,496.75*	$0.00	-$229,148,496.75
2021	$3,384,407,994.00	$2,783,337,134.27	82.24%	$2,483,049,324.73	*-$300,287,809.54*	$0.00	-$300,287,809.54
2022	$3,497,841,145.40	$2,876,624,557.98	82.24%	$2,505,396,768.65	*-$371,227,789.32*	$0.00	-$371,227,789.32
2023	$3,611,274,296.80	$2,969,911,981.69	82.24%	$2,527,945,339.57	*-$441,966,642.12*	$0.00	-$441,966,642.12
2024	$3,724,707,448.20	$3,063,199,405.40	82.24%	$2,550,696,847.63	*-$512,502,557.77*	$0.00	-$512,502,557.77
2025	$3,838,140,599.60	$3,156,486,829.11	82.24%	$2,573,653,119.26	*-$582,833,709.86*	$0.00	-$582,833,709.86
2026	$3,951,573,751.00	$3,249,774,252.82	82.24%	$2,596,815,997.33	*-$652,958,255.49*	$0.00	-$652,958,255.49

1101 Stadium Drive, Ada, OK 74820
p 580.332.1444 f 580.332.2532
www.e-mpa.org

Chart 7: Worst Case Impact

Sum of Priority 2 Remainder Plus Rollover Funds	90% Proration Percentage	Projected 90% P2 Funding Commitments	Projected 89% P2 Funding Commitments	Projected 88% P2 Funding Commitments	Projected 87% P2 Funding Commitments	Projected 86% P2 Funding Commitments	Projected 85% P2 Funding Commitments
$1,019,787,102.85		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$346,931,929.14	49.17%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$274,260,645.68	38.87%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$201,774,907.48	28.59%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$129,476,384.45	18.35%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
$57,366,761.52	8.13%	$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$14,552,261.19		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$86,278,968.30		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$157,811,628.96		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$229,148,496.75		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$300,287,809.54		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$371,227,789.32		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$441,966,642.12		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$512,502,557.77		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$582,833,709.86		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74
-$652,958,255.49		$705,640,402.01	$64,127,252.36	$84,926,807.96	$104,043,483.21	$70,106,909.45	$28,477,481.74

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